FEATURE

# Streaming video on demand, social media, and gaming trends

## Digital media trends, 15th edition—Fall pulse survey

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THE DELOITTE CENTER FOR TECHNOLOGY, MEDIA & TELECOMMUNICATIONS

## Media companies are trying to retain paid subscribers on their streaming video services. But they also compete with social media and gaming, which offer both entertainment and social interaction.

AT THE START of 2021, we launched our 15th annual Digital media trends survey, deep in the second wave of COVID-19. With more time for home entertainment, streaming video providers were competing for subscribers against innumerable entertainment options, "courting the consumer" for their attention. In early summer, the United States was anticipating a great reopening and a return to normal life. But ultimately, the continued uncertainty and the spread of the Delta variant kept many consumers close to their households and plugged into online experiences.

In August 2021, we fielded another survey of US consumers to see what's changed, and look deeper into the impact of social media and social gaming in contrast to streaming video. Our key takeaway: If streaming providers were seeking a long-lasting marriage with subscribers, it now looks more like a dynamic game of speed dating.

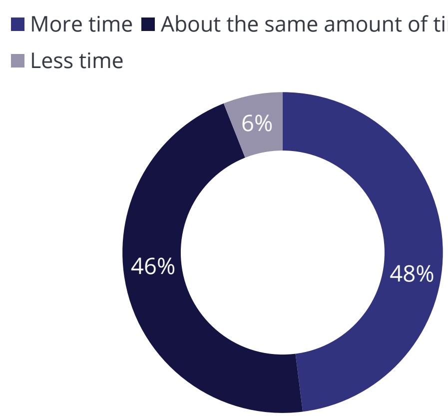
The recent survey revealed that changes wrought by the pandemic continue; it is becoming clear that we will not be returning to the "old normal" anytime soon. More than 80% of consumers are concerned about COVID-19 variants. Many consumers are hesitant to return to entertainment venues. When asked about their recent behavior, 84% of consumers say they're spending more time on online entertainment in the home, and less time on in-person entertainment outside the home—hardly the grand reopening that was envisioned. In fact, compared with six months ago, nearly half of consumers are spending more time on online entertainment (figure 1). By the time this is published, the world will have endured close to two years of the pandemic, which will likely leave a mark on our behaviors for a long time.

If the pandemic has accelerated online entertainment, streaming video on-demand (SVOD) has certainly enjoyed a boom, with an estimated 21% boost in consumer spending on subscriptions in the first half of 2021.[1] While SVOD players seek subscriber growth and reckon with churn, consumers are still guided by cost and content. But people—especially younger generations—are managing costs by adopting ad-supported options, looking for discounts and bundles, and moving on and off services to meet their content needs. For streaming video providers, keeping these subscribers is harder than ever.

FIGURE 1

### Nearly half of respondents are spending more time on online entertainment activities versus six months ago

Changes in the amount of time spent on online entertainment




Note: N (total)=1,102 US consumers.
Source: Digital media trends, 15th edition (Fall pulse survey, October 2021).

At the same time, consumers' attention is being frayed by the continued aggregation and innovation of content on social media—mostly a mobile experience, and entirely free—and by the increasingly social experiences available in video games, which are also often free-to-play. Younger generations, who have grown up digitally connected and social, are flocking to user-generated, short-form videos, which are served up on endless feeds tuned and personalized by individual preferences. They are also meeting up in online video gameworlds, personalizing their avatars, and contending with the frictions and frissons of social competition.

Streaming video may have changed delivery and enabled on-demand entertainment, but it hasn't moved the medium much beyond the living room. Spending billions on high-end content, streaming video providers now squarely face two key concerns: How do they retain subscribers who can easily leave whenever they want? And are their portfolios diverse and compelling enough to reach audiences who are regularly engaging with, often free, social media, user-generated content, and gaming?

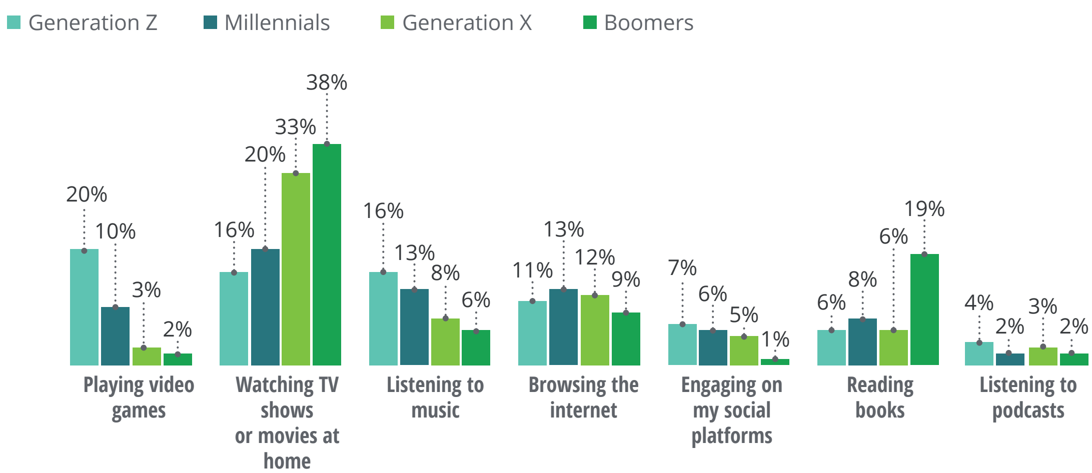
## Younger generations are building a dynamic portfolio of media and entertainment options

Compared to six months ago, consumers across generations have been spending more time watching TV and browsing the internet, but Millennials and Generation Z (Gen Z) continue to show differences in adoption and use of digital entertainment. Nineteen months into the pandemic and Boomers and Generation X (Gen X) still rank *watching TV shows or movies at home* as their favorite entertainment activity. (Since around 63% subscribe to a pay TV service, we suspect that for many, "watching TV" now includes SVOD.)(Figure 2.) Gen Z, meanwhile, still ranks *playing video games* as their preferred form of entertainment.

FIGURE 2

**Younger consumers continue to gravitate towards gaming and music**

Percentage of respondents ranking the following as their No. 1 favorite entertainment activity (from a list of 16)




Notes: N (total)=1,102 US consumers.

Source: Digital media trends, 15th edition (Fall pulse survey, October 2021).

And everyone younger than Boomers, especially Gen Zs and Millennials, has been listening to music more than they were six months ago.

## SVOD: MATURING PROVIDERS, SAVVY SUBSCRIBERS

Our survey revealed that 84% of respondents now pay for a SVOD service, and the average household has four subscriptions—figures that have remained largely unchanged over the past year. There are a handful of top-tier SVOD services that people tend to hold on to, while the rest are added and canceled more frequently. Although more premium and ad-supported services have launched, the streaming video landscape hasn't changed much since the start of 2021. People still prioritize new original content, a broad content library, and a low enough cost to subscribe. But they are getting better at developing strategies to optimize costs and content. For providers seeking to retain them, the overall churn rate—the number of people who have canceled, or both added and canceled, a paid SVOD service—has remained stable at about 38%, although it varies from service to service (figure 3).

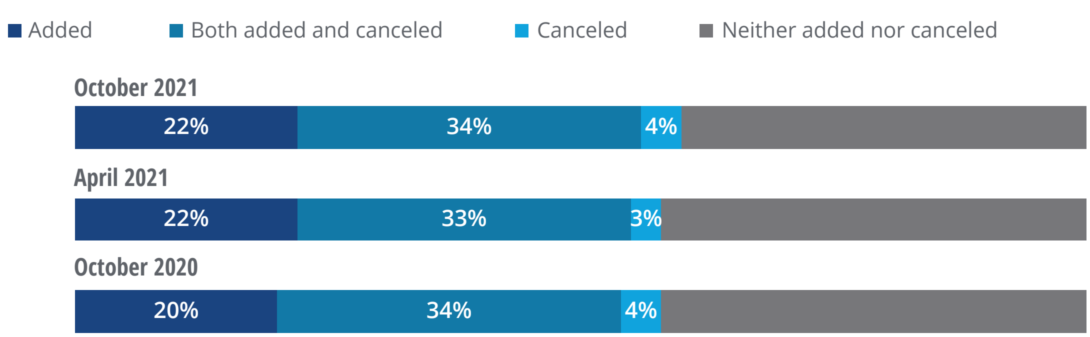
A closer look at the dynamics behind churn reveals customers who are not only cost-sensitive and frustrated with too many options, but who also move on and off services to chase content. The top reason they canceled a paid SVOD service was due to high cost, suggesting there will be more growth ahead for ad-subsidized and free ad-supported subscription tiers. Led by cost-sensitive and savvy Millennials, and Gen Zs, 65% of respondents reported using free ad-supported video services. Some estimates see the ad market for free ad-supported video services doubling in the next two years.[2]

The second most common reason people cancel a paid SVOD subscription was that they finished the show they signed up to watch. While the same frustrations persist—content is no longer available on a service, it's hard to find content across so many services—consumers are enjoying the benefits of easy cancellation, choosing to turn the tap off rather than leaving it running when they don't need it. This "churn & return" behavior is most common among younger generations: Almost half of Millennials and 34% of Gen Z respondents canceled and then resubscribed to the same service later (figure 4).

FIGURE 3

### Churn for paid video streaming services remains high and stable

Percentage of consumers who have done the following with their paid video streaming services

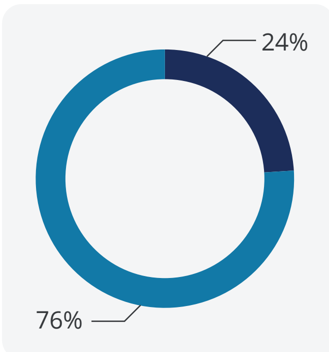



Notes: October 2020 survey, N (1,100) and April 2021 survey, N (2,009)—represent activity since the beginning of the pandemic; October 2021 survey, N (1,102)—represents activity from February to August 2021.
Source: Digital media trends, 15th edition (Fall pulse survey, October 2021).

FIGURE 4

## About a quarter of consumers have canceled and resubscribed to the same streaming video service in the past year

Percentage of US consumers who have canceled a streaming video service subscription and then later renewed that same subscription in the last 12 months




| | Generation Z | Millennials | Generation X | Boomers | Matures |
|---|---|---|---|---|---|
| Yes | 34% | 47% | 25% | 6% | 3% |
| No | 66% | 53% | 75% | 94% | 97% |

Note: N (total)=1,102 US consumers.
Source: Digital media trends, 15th edition (Fall pulse survey, October 2021).

When asked why they resubscribed, the top reasons cited were because a new season of their favorite show was released, they routinely cancel and resubscribe to manage costs, they got a free or discounted rate, or the content they wanted to watch moved to the service.

Consumers—especially the youngest ones—are routinely optimizing their entertainment portfolios. However, providers looking to reduce churn by adding friction to unsubscribing should know that the second largest frustration people have with SVOD services is when they make it harder to cancel.

Taking a step back, it seems some media companies may be thinking too narrowly about who—and what—is increasingly capturing consumers' attention. Streaming video providers may be competing head-to-head with each other, but when subscribers turn away, they have entire worlds of social media and video gaming to welcome them.

## Social media: Everything, all the time

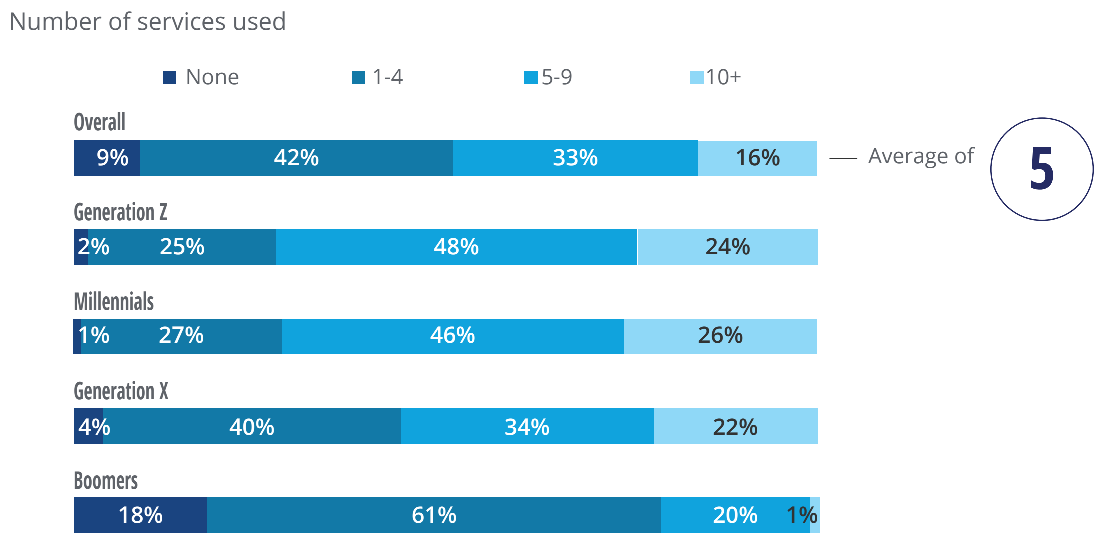
Social media is becoming more than a gateway or aggregator of content. They are free and primarily mobile, reaching users wherever they are, on the couch or on the go. With so many people using these services, media and entertainment options are migrating onto them,[3] and social commerce is booming.[4]

The use of social media and online services is widespread among US consumers. About 90% of our respondents reported using at least one social media service, and the average person uses five different services (figure 5). This number increases to seven for Gen Zs and Millennials, with about a quarter of each using 10 or more different services. Overall, social media services command significant attention and are a daily activity for a majority of people. Indeed, 65% of consumers are engaging with at least one of these services several times a day.

FIGURE 5

## Respondents use five social media services, on average

Percentage of consumers, by generation, who use social media or online services




Note: N (total)=1,102 US consumers.
Source: Digital media trends, 15th edition (Fall pulse survey, October 2021).

Discovery of content has become a key driver of engagement on social media services. Roughly a third of users say that staying updated on news and current events is one of the top five reasons they use these services, and many say that discovering video content or new music are among the top reasons as well. While a third of respondents say they are watching more video on paid streaming video services than they were six months ago, nearly as many say they are watching more video on social media and live streaming services.

### ALL THE WORLD'S A STAGE: USER-GENERATED SOCIAL VIDEO FEEDS

There are different kinds of social media services and different categories within them, but those that feature short-form, user-generated videos in continuous mobile feeds are getting a lot of consumer attention, especially among younger generations. These kinds of social media deliver constantly evolving video feeds that are algorithmically tailored to the user—a bit like a crowdsourced TV on a mobile phone.

The feeds offer a lean-back passive option, but the experience is fundamentally social: Users see others interacting with the content; they see the stats of how many people have been viewing and rating them, tapping into the *zeitgeist* of the social moment; they see what their friends are seeing, offering a sense of community around the experience, and they see the videos of average people streaming in from across the world. Behind the scenes, social algorithms are fine-tuned to users' preferences and behaviors, enabling services to match the right content and advertising with the right audiences, further enhancing stickiness and engagement. Among those that use such services, most engage with them every day or more.

For SVOD providers, this mobile, social ecosystem of free user-generated video is very different from the high-end content they offer to living rooms. For now, this differentiation may be an advantage for both SVOD and social media, offering a relatively clear choice between them. However, social media has far more regular users than SVOD, and it continues to absorb elements of our daily digital lives.

## THE SOCIAL MARKETPLACE

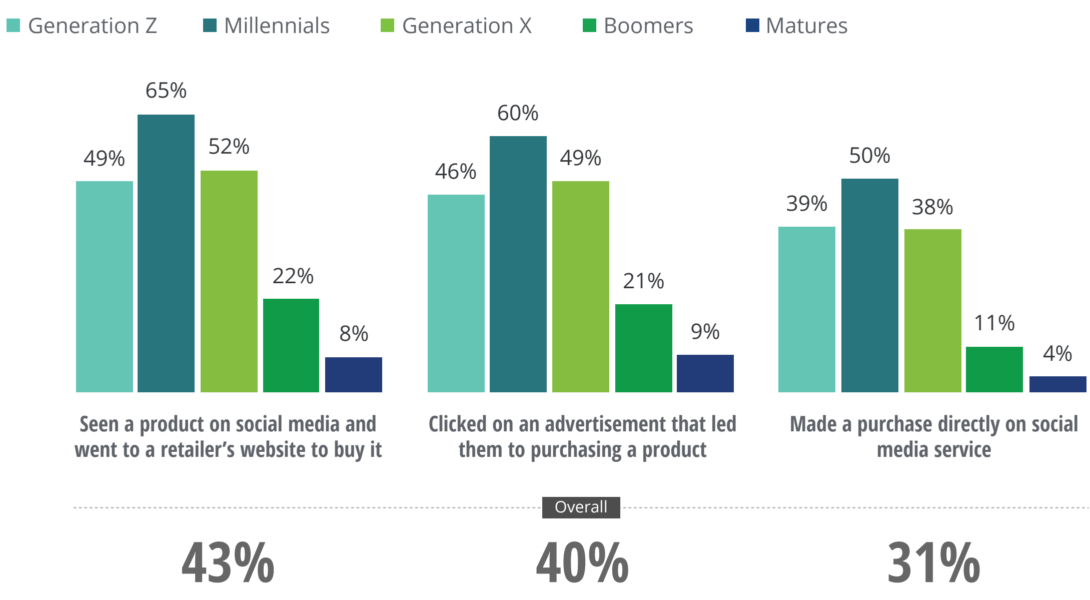
With so many people gathered on top social media services, brands and retailers are working to get their attention and money. Users can now find and purchase a range of products and services, from cheap manufactured goods to highly durable handmade items and bespoke experiences.[5] The same ineffable mix of trending topics and algorithmic feeds can optimize promotions and target audience segments most likely to engage and purchase.

In our survey, roughly four in 10 US respondents have seen a product on social media and gone to the retailer's website to buy it or clicked on an advertisement that led to a purchase (figure 6). Another 31% have made a purchase directly on a social media service, taking advantage of the reduced friction—just a couple of taps and a mobile payment. Perhaps unsurprisingly, younger generations, especially Millennials, are most likely to be influenced and make a purchase through social media.

FIGURE 6

**Younger generations—especially Millennials—are more likely to engage in social media shopping behaviors**

Percentage of respondents who have done the following on social media services




Note: N (total)=1,102 US consumers.

Source: Digital media trends, 15th edition (Fall pulse survey, October 2021).

Social media has challenged brands to design how people engage with and evaluate their products. The largest influence on purchasing through social media is *availability of product information*, followed by *customer product reviews or recommendations posted by a friend or family member*. Increasingly, "influencers"—users with millions of followers, or "microinfluencers," who have tens of thousands of followers in a specific niche—are helping guide people to products. About four in 10 social media users follow an influencer, and younger users are more likely to find recommendations from influencers important to their purchasing decisions. On social media, effective advertising can be more nuanced than just getting an ad in front of the right person.

Influencers are a notable category of social media power users who have access to very large audiences. Roughly half of social media users who follow influencers say they do so because they enjoy the content produced by the influencer or because they feature topics of interest. Four in 10 consumers say influencers provide good advice or information. In another reminder of how social media has deconstructed stardom and made celebrities seem more accessible, around a third say they can relate to influencers and that they admire them and aspire to be like them.

Social media has grown so popular, tapping into such a fundamental element of being human, that it is not only being used for activities like communication, but for video and music, and even commerce. It is also reshaping other massive forms of entertainment, such as video gaming.

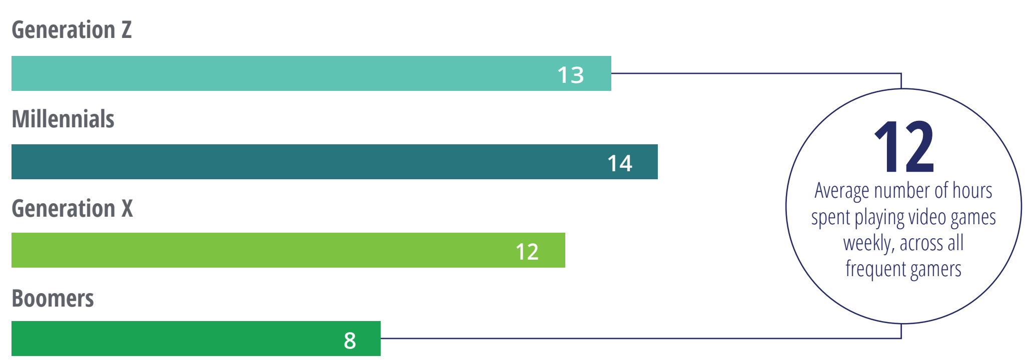
## Gaming: Virtual worlds, real interactions

Gaming and game-related content, such as livestreams and video, continue to compete for entertainment time. And, for many gamers, these activities have become social. In our survey, 65% of respondents are frequent gamers, playing at least once a week across devices like smartphones, consoles, tablets, portable gaming devices, and computers. On average, frequent gamers play for around 12 hours a week. Gen Zs and Millennials play closer to 13 or 14 hours weekly (figure 7).

FIGURE 7

### Gaming grabs a lot of attention, especially among younger generations

Average number of hours respondents who are frequent gamers spend playing video games weekly, across all devices




Notes: N (Frequent gamers)=717 US consumers.

Source: Digital media trends, 15th edition (Fall pulse survey, October 2021).

Gaming is also generating more user-generated video for social media and streaming services. Among frequent gamers, 45% are watching others stream their gameplay; 38% are streaming their own gameplay; 49% are watching videos about gaming tips, cheats, and tutorials on a monthly basis. This expansion of activities illustrates both the ecosystem of content around gaming and the shape of gaming as a social activity.

Game companies have inadvertently become immersive, interactive social media services. When we asked gamers about important factors related to their gaming experience, more than half said *having positive interactions with other players* and *being able to personalize my game character or avatar* were important, followed not far behind by *chatting or socializing with other players* and *meeting up with friends online to play together*. This was consistent from Gen Z to Gen X and underlines the ways that multiplayer games transport people into their gameworlds.

Among frequent gamers, about 40% of Gen Zs and Millennials play against other people online every day, and almost as many Millennials (37%) are meeting up online to play with teammates daily. Further underlining this virtual embodiment, 43% of frequent gamers are purchasing *skins*, like virtual clothing, tattoos, hairstyles, and gestures and dance moves known as "emotes," to personalize their game characters monthly.

But this growth in the social side of gaming has a downside. As with other social media activities, it has also enabled interpersonal conflicts that are impacting experiences. Nearly half of Gen Z and Millennial gamer respondents have witnessed or personally experienced bullying or harassment while gaming. Among those, over 40% reported and/or blocked the harasser. A slightly smaller number defended the person who was being bullied or directly confronted the person bullying or harassing.

For a quarter of gamers who experienced harassment or bullying, their mood and mental health were negatively impacted, and they developed negative feelings toward the game or brand.

Despite these potential downsides, younger generations have grown up connecting through digital networks, engaging with digital and interactive entertainment, and relating to the world through a social lens. Gaming is meeting these expectations with unique, immersive experiences that can put players in the starring role. For streaming video providers, understanding social gaming and creating strong relationships with gamers may be critical to future growth.

## Beyond courtship: The future of digital media and entertainment

These factors, combined, point to an important shift in what customers are paying attention to and how they are choosing to engage and be entertained. Streaming video will likely continue to be a dominant force, especially as leading services are now pursuing global markets. However, SVOD offers a simple experience of leaning back and watching high-quality video content. Any social elements are deferred to the “second screen”—mobile—which, for many, is really the first screen. Interactivity on SVOD is an early experiment. It may or may not make sense for SVOD to offer social and interactivity directly in their services, but they will likely face greater competition in courting younger generations and keeping them as lifelong subscribers if they don’t integrate a social element in some way.

In the near term, SVOD players should address churn and retention among diverse segments in different markets, and shift from measuring subscribers to understanding how to unlock the lifetime value within their customer bases. In the future, they should develop strategies to stay connected with people who prefer social video and social gaming, which could be accomplished through partnerships, acquisitions, or simply developing a really great social media department.

### EXPLORE MORE PRICING TIERS, LOYALTY PROGRAMS, AND VIP EXCLUSIVES

To address cost sensitivities and subscriber attrition on SVOD services, providers should introduce more pricing tiers while retaining premium content for full-paying subscribers. When we asked about the types of bundle options that would keep users from canceling a streaming service, the top answer was *a loyalty program that offers discounts on other services and products I want*. Membership and loyalty programs can enable low-paying users to earn access to content reserved for premium users. Providers can even consider VIP programs that offer exclusivity, like first-run movie releases to the highest-paying tier.

### LOOK TO BUNDLES AND REAGGREGATION

Around a quarter of paid SVOD subscribers in our survey reduce their streaming costs by getting services through bundles, or by looking for deals and promotions on streaming services included with other goods they purchase. After membership programs, respondents said they would reconsider canceling a paid SVOD service if it was bundled with a streaming music or video service—or if it offered free or discounted access to theme parks or movie theaters.

By aggregating more SVOD services under one hood, people may become less frustrated chasing content across so many services. Giving customers more than one reason to stay with a provider could also reduce churn. To appeal to younger generations, providers may need to bring other services, beyond streaming video, under their umbrella. But tread carefully: Forty-one percent of consumers are not interested in bundles.

The freedom and flexibility that people won by unbundling cable TV may be hard to reverse.

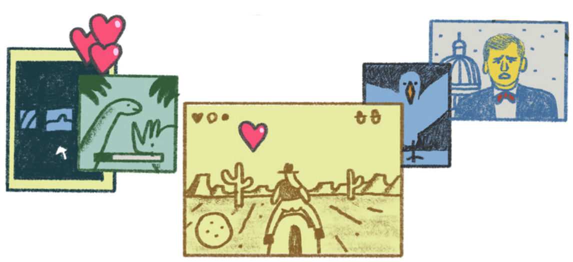
## BE SOCIAL

There's more than one way to make customer experiences more interactive and dynamic. Streaming video may or may not need to offer social affordances, but competing against so much content may require staying in the social conversation, driving trending topics, working with creators and influencers, and developing continuous touchpoints with social audiences. In developing content portfolios, media companies should also look to short-form and user-generated streams, both as channels for their own content and to find young creators.

However, if SVOD does not evolve into a connected social experience, it may not be able to generate the stickiness and network effects social media enjoys.

It may not be surprising, but half of respondents who use social or online services say that *staying connected to friends and family* is one of their top five reasons for using them. About a fifth or more cite *sharing thoughts, concerns, or views*, *finding like-minded people or groups*, or *interacting with people who have different outlooks or interests* as reasons for using these services. SVOD in its current form offers none of this.

By the numbers, the future of video is social.[6] And it's already here. The biggest differentiator for SVOD is the quality of its content, but how long can providers spend so much without getting more value from their customers? And how can they keep subscribers onboard without offering more than streaming video? The future of entertainment may likely be rebundled to deliver video, news, music, and gaming, surrounded by a social ecosystem and driven by individual preferences.



# Endnotes

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